

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

| | | | | | | | |
|--|--|-------------------------------|--|---|--|-------------------|--|
| Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other | | | | Local Unit Name Davison Downtown Development Authority | | County Genesee | |
| Fiscal Year End June 30, 2006 | | Opinion Date July 11, 2006 | | Date Audit Report Submitted to State | | | |

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

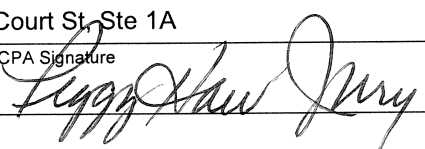
YES ☒ NO ☐

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

| | | | | |
|--|--|-------------------------------------|--|------------------------------|
| We have enclosed the following: | | Enclosed | Not Required (enter a brief justification) | |
| Financial Statements | | <input checked="" type="checkbox"/> | | |
| The letter of Comments and Recommendations | | <input type="checkbox"/> | No comments & recommendations | |
| Other (Describe) | | <input type="checkbox"/> | None | |
| Certified Public Accountant (Firm Name) Plante & Moran, PLLC | | | Telephone Number 810-767-5350 | |
| Street Address 111 E. Court St., Ste 1A | | | City Flint | State Mi |
| Authorizing CPA Signature  | | | Printed Name Peggy Haw Jury | License Number 1101009025 |

Financial Report

**Davison Downtown Development Authority
Davison, Michigan**

June 30, 2006

Davison Downtown Development Authority
Financial Report
June 30, 2006

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Introductory Section

**Davison Downtown Development Authority
Davison, Michigan
List of Appointed Officials
June 30, 2006**

| | |
|---------------|---------------|
| BJ Musynski | Chairman |
| George Keiss | Vice Chairman |
| Eric Reichle | Treasurer |
| Melanie Helms | Secretary |
| Mark Gorbutt | |
| David Larson | |
| Sean O'Bryan | |
| Fred Rappuhn | |

Independent Auditor's Report

Board of Members
Davison Downtown Development Authority
Davison, Michigan

We have audited the financial statements of the governmental activities of the Davison Downtown Development Authority, Davison, Michigan (DDA), a component unit of the City of Davison, as of and for the year ended June 30, 2006, which collectively comprise the DDA's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the DDA's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the governmental activities of the Davison Downtown Development Authority, Davison, Michigan as of June 30, 2006, and the respective changes in the financial position, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedule as identified in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Plante & Moran PLLC

July 11, 2006

Management's Discussion and Analysis

**Davison Downtown Development Authority
Management's Discussion and Analysis
June 30, 2006**

As management of Davison Downtown Development Authority (Authority), we offer readers of Davison Downtown Development Authority's financial statements this narrative overview and analysis of the financial activities of the Davison Downtown Development Authority.

Financial Highlights

The government-wide financial analysis focuses on the Statement of Net Assets and the Statement of Activities. The total assets of the Authority are \$128,472 of which \$121,960 represents cash and cash equivalents and \$6,512 represents capital assets. The liabilities are \$93,019, which represent trade payables, deferred revenue, and amounts due to other governments, leaving current net assets of \$35,453.

Net assets increased \$14,764 for the Authority as a result of \$104,077 in net program expenses, which are offset by general revenues of \$118,841, leaving excess revenues of \$14,764.

Using this Annual Report

This annual report consists of a series of financial instruments. The statement of net assets and the statement of activities provide information about the activities of the DDA as a whole and present a longer-term view of the DDA's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the tax payers have funded the full costs of providing government services.

The Fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the DDA's operations in more detail than the government-wide financial statements by providing information about the DDA's most significant funds.

| | Net Assets | |
|----------------------------|-------------------|------------------|
| | <u>2006</u> | <u>2005</u> |
| Cash and cash equivalents | \$121,960 | \$ 64,620 |
| Prepaid costs | - | 5,027 |
| Capital assets, net | <u>6,512</u> | <u>9,905</u> |
| Total assets | <u>128,472</u> | <u>79,552</u> |
| Deferred Revenue | 25,205 | - |
| Accounts payable | 1,049 | 2,618 |
| Due to other governments | <u>66,765</u> | <u>56,245</u> |
| Total liabilities | <u>93,019</u> | <u>58,863</u> |
| Net assets: | | |
| Invested in capital assets | 6,512 | 9,905 |
| Unrestricted | <u>28,941</u> | <u>10,784</u> |
| Total net assets | <u>\$ 35,453</u> | <u>\$ 20,689</u> |

**Davison Downtown Development Authority
Management's Discussion and Analysis
June 30, 2006**

Change in Net Assets

| | <u>2006</u> | <u>2005</u> |
|-------------------------------------|-------------------------|-------------------------|
| Revenues: | | |
| Program revenues: | | |
| Grant revenue | \$ 295 | \$ - |
| Farmer's Market, net | 6,271 | - |
| General revenues: | | |
| Tax increment | 108,917 | 102,099 |
| Interest | 2,711 | 1,014 |
| Miscellaneous | 647 | 2,485 |
| Total revenues | <u>118,841</u> | <u>105,598</u> |
| Expenses: | | |
| Development administration | 64,673 | 59,972 |
| Community administration | 20,153 | 24,456 |
| Community promotion | 19,251 | 23,403 |
| Total expenses | <u>104,077</u> | <u>107,831</u> |
| Increases (Decreases) in net assets | 14,764 | (2,233) |
| Net assets – beginning of the year | <u>20,689</u> | <u>22,922</u> |
| Net assets – end of the year | <u><u>\$ 35,453</u></u> | <u><u>\$ 20,689</u></u> |

Capital Assets

At the end of 2006, the DDA had invested \$6,512 in equipment. Capital assets as stated in this annual financial report do not include any real property or infrastructure as any type of this property purchased by the DDA must be titled in the name of the City of Davison.

Budgetary Highlights

Total expenditures totaled \$100,684 approximately \$54,000 below budget. Total revenues were approximately \$8,000 over budget. The façade program had budgeted \$45,000 in expenditures. The budgeted amount included \$35,000 for renovations which were not started yet.

Contacting the DDA's Financial Administration

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the DDA's finances and to demonstrate the DDA's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of Davison, 200 East Flint Street, Davison, Michigan 48423.

Basic Financial Statements

Davison Downtown Development Authority
Statement of Net Assets and
Governmental Fund Balance Sheet
General Fund
June 30, 2006

| | General Fund | Adjustments (Note II A) | Statement of Net Assets |
|---|-------------------------|------------------------------------|------------------------------------|
| Assets | | | |
| Cash and cash equivalents | \$ 121,960 | \$ - | \$ 121,960 |
| Capital assets, net | - | 6,512 | 6,512 |
| | | | |
| Total assets | <u>\$ 121,960</u> | <u>6,512</u> | <u>128,472</u> |
| Liabilities | | | |
| Accounts payable | \$ 1,049 | - | 1,049 |
| Due to other governments | 66,765 | - | 66,765 |
| Deferred revenue | 25,205 | - | 25,205 |
| | | | |
| Total liabilities | <u>93,019</u> | <u>-</u> | <u>93,019</u> |
| Fund Balance/Net Assets | | | |
| Fund balances: | | | |
| Reserved for streetscape | 461 | (461) | - |
| Unreserved: | | | |
| Designated for subsequent year's expenditures | 28,480 | (28,480) | - |
| | | | |
| Total fund balances | <u>28,941</u> | <u>(28,941)</u> | <u>-</u> |
| | | | |
| Total liabilities and fund balances | <u>\$ 121,960</u> | <u>-</u> | <u>-</u> |
| Net assets: | | | |
| Invested in capital assets | | 6,512 | 6,512 |
| Unrestricted | | 28,941 | 28,941 |
| | | | |
| Total net assets | | <u>\$ 35,453</u> | <u>\$ 35,453</u> |

See notes to financial statements.

**Davison Downtown Development Authority
Statement of Activities and
Governmental Fund Revenues, Expenditures, and
Changes in Fund Balance
General Fund
Year Ended June 30, 2006**

| | General Fund | Adjustments (Note II B) | Statement of Activities |
|---|-------------------------|------------------------------------|--|
| Expenditures/expenses: | | | |
| Development administration | \$ 64,673 | \$ - | \$ 64,673 |
| Community administration and promotion | 16,760 | 3,393 | 20,153 |
| Public improvement | 19,251 | - | 19,251 |
| | | | |
| Total expenditures/expenses | 100,684 | 3,393 | 104,077 |
| | | | |
| General revenues: | | | |
| Tax Increment Revenues | 108,917 | - | 108,917 |
| Interest | 2,711 | - | 2,711 |
| Grant Revenue | 295 | - | 295 |
| Farmer's Market Revenue, net | 6,271 | - | 6,271 |
| Miscellaneous Revenue | 647 | - | 647 |
| | | | |
| Total general revenues | 118,841 | - | 118,841 |
| | | | |
| Excess (deficiency) of revenues over expenditures | 18,157 | (3,393) | 14,764 |
| | | | |
| Fund balances/net assets: | | | |
| Beginning of the year | 10,784 | 9,905 | 20,689 |
| | | | |
| End of the year | \$ 28,941 | \$ 6,512 | \$ 35,453 |

See notes to financial statements.

Notes to Basic Financial Statements

Davison Downtown Development Authority
Davison, Michigan
Notes to Financial Statements
June 30, 2006

I. Summary of significant accounting policies

The accounting policies of the Davison Downtown Development Authority (DDA) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Davison Downtown Development Authority.

A. Reporting entity

In 1982, the City of Davison adopted a development and financing plan for downtown. Due to the success of the program, the plan was amended in 1996 and extended for an additional fifteen years.

The Davison Downtown Development Authority is a component unit of the City of Davison and is located in Genesee County, Michigan. The purposes for which the DDA is organized are as follows: To act as a downtown development authority in accordance with Act 197 of the Public Acts of 1975, as such statute may from time to time be amended, including particularly to correct and prevent deterioration in the downtown district, to encourage historical preservation, to create and implement development plans in the district, and to encourage the expansion of commercial enterprises in the downtown district.

The accompanying financial statements are exclusive presentations of the financial condition and results of operations of the Davison Downtown Development Authority (DDA). The DDA is considered a "component unit" of the City of Davison's (City) governmental operation. As a result, industry standards require the City to include the financial activities of the DDA in the City's Annual Financial Report. The Annual Financial Report of the City of Davison is available for public inspection at city hall.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct* expenses are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Davison Downtown Development Authority
Davison, Michigan
Notes to Financial Statements
June 30, 2006

I. Summary of significant accounting policies – (continued)

C. Measurement focus, basis of accounting, and financial statement presentation – (continued)

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenue is recognized as soon as they are both measurable and available. Revenue is considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following governmental fund:

General Fund - The General Fund accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, liabilities, and net assets or equity

1. Deposits

The DDA's cash and cash equivalents include cash on hand and demand deposits.

2. Capital assets

Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life of 5 years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

All real property purchased by the DDA must be titled in the name of the City of Davison. Therefore, any real property purchased by the DDA has not been included in capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Davison Downtown Development Authority
Davison, Michigan
Notes to Financial Statements
June 30, 2006

I. Summary of significant accounting policies – (continued)

D. Assets, liabilities, and net assets or equity – (continued)

2. Capital assets – (continued)

Equipment is depreciated using the straight line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|---------------|--------------|
| Equipment | 5 |

3. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

4. Property tax

Property taxes are levied each July 1, on the taxable value determined as of December 31 of the preceding year for all taxable real and personal property located in the Downtown Development Authority District including a Tax Increment Financing Area. On July 1, the property tax attachment is an enforceable lien on the property. Assessed values are established by the City Assessor at 50% of estimated market value. The DDA's tax revenue within the Tax Increment Financing Area is the sum of all taxes levied on the increase in taxable value since designation as a Tax Increment Financing Area. Taxes are billed and collected by the City of Davison and are due by February 28 following the levy date. DDA property tax revenues are recognized as revenues in the fiscal year levied to the extent that they are measurable and available.

In 1981, the Davison Downtown Development Authority entered into tax incremental financing agreements with the City, Genesee County, Genesee Intermediate Schools, and Davison Community Schools. An additional district was added in 1996. The DDA's tax incremental revenue is calculated by multiplying the millage (of all entities involved) times the Captured Taxable Value (the difference between current taxable value and the initial taxable value). The initial taxable values were established in 1982 (\$1,713,057) and 1996 (\$1,829,857), respectively. The programs were authorized to continue for a period of fifteen years. The initial plan established in 1982 was renewed for another fifteen years in 1997 taking the plan through 2012.

During 1994, Proposal A was passed by Michigan taxpayers limiting the school millage rates. The law also eliminated the school millage from the calculation of the mills to be used to compute the taxes on the increase in taxable value within the Tax Increment Financing Area that can be captured and passed through to the DDA. There are three exceptions to this portion of the law under which the school millage could be continued as part of the captured assessment calculation: 1) the DDA has a legal debt obligation; 2) the DDA has an eligible advance payable; 3) or the DDA has specific project commitments. This change in the law, related to the school mills, also applied to the payments received in lieu of taxes from the senior citizens housing complex. These changes drastically reduced the property taxes the DDA received.

Davison Downtown Development Authority
Davison, Michigan
Notes to Financial Statements
June 30, 2006

I. Summary of significant accounting policies – (continued)

D. Assets, liabilities, and net assets or equity – (continued)

4. Property tax – (continued)

The captured taxable values in excess of the initial taxable values for June 30, 2006 by district are as follows:

| | |
|--------------|-------------|
| District 1 - | \$1,748,765 |
| District 2 - | 615,544 |

The DDA is using the tax increment revenues to improve the plan areas and has created 30 - 40 jobs through the implementation of this plan.

5. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. Reconciliation of government-wide and fund financial statements

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between *fund balance -total governmental funds* and *net assets -governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The details of this difference are as follows:

| | |
|---|------------------------|
| Capital assets | <u>\$ 6,512</u> |
| Net adjustment to increase <i>fund balance -total governmental funds</i> to arrive at <i>net assets -governmental activities</i> | <u><u>\$ 6,512</u></u> |

Davison Downtown Development Authority
Davison, Michigan
Notes to Financial Statements
June 30, 2006

II. Reconciliation of government-wide and fund financial statements – (continued)

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances -total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated use-full lives and reported as depreciation expense." The details of this difference are as follows:

| | |
|--|------------------------|
| Depreciation expense | <u>\$ 3,393</u> |
| Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i> | <u><u>\$ 3,393</u></u> |

III. Stewardship, compliance, and accountability

A. Budgetary information

The DDA follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to June 30, the budget committee submits to the board, a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and means of financing them for the General Fund.
2. Prior to June 30, the budget is legally enacted on a fund basis for the General Fund. The City Council must also approve the budget.
3. Formal budgetary integration is employed as a management control device during the year. Also, the budget is adopted on a basis consistent with generally accepted accounting principles.
4. Budget appropriations lapse at year end.
5. The original budget was amended during the year in compliance with applicable state laws. The budget to actual expenditures in the financial statements represent the final budgeted expenditures as amended by the board.

B. Excess of expenditures over appropriations

The following individual cost centers incurred expenditures in excess of appropriations:

Davison Downtown Development Authority
Davison, Michigan
Notes to Financial Statements
June 30, 2006

IV. Detailed notes on all funds

A. Deposits and investments

Deposits:

Michigan Compiled Laws section 129.91 (Public Act 20 of 1943, as amended), authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Authority has designated two banks for the deposit of its funds (JP Morgan/Chase and Oxford Bank). The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized all the above noted investments per the state statute. The Authority's deposits and investment policies are in accordance with statutory authority.

The Authority cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial credit risk of bank deposits:

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. The Authority is not subject to deposit custodial credit risk at year end as all of the Authority's deposits were fully insured by FDIC coverage.

Custodial credit risk of investments:

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority does not have a policy for custodial credit risk. At year end, the following investment securities were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Authority's name:

| <u>Type of Investment</u> | <u>Carrying Value</u> | <u>How Held</u> |
|------------------------------|-----------------------|-----------------|
| Repurchase Agreement (Sweep) | \$ 114,985 | Counterparty |

Davison Downtown Development Authority
Davison, Michigan
Notes to Financial Statements
June 30, 2006

IV. Detailed notes on all funds – (continued)

B. Capital assets

Capital asset activity for the year ended June 30, 2006 was as follows:

Primary Government

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|--|------------------------------|-------------------|------------------|---------------------------|
| Governmental activities: | | | | |
| Capital assets, being depreciated: | | | | |
| Equipment | \$ 31,110 | \$ - | \$ - | \$ 31,110 |
| Total capital assets being depreciated | 31,110 | - | - | 31,110 |
| Less accumulated depreciation for: | | | | |
| Equipment | 21,205 | 3,393 | - | 24,598 |
| Total accumulated depreciation | 21,205 | 3,393 | - | 24,598 |
| Total capital assets, being depreciated, net | 9,905 | (3,393) | - | 6,512 |
| Governmental activities capital assets, net | <u>\$ 9,905</u> | <u>\$ (3,393)</u> | <u>\$ -0-</u> | <u>\$ 6,512</u> |

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

 Current:

 Community administration and promotion \$ 3,393

C. Due to other governments

Included in due to other governments is \$50,000 loaned by the City of Davison to the DDA for the purchase of property in the DDA's district. The loan is to be repaid upon the sale of the property with no interest.

V. Other information

Risk management

Risk Management - primary government:

The DDA is exposed to various risks of loss related to property loss, torts, errors, and omissions. The DDA has purchased liability insurance coverage.

Davison Downtown Development Authority
Davison, Michigan
Notes to Financial Statements
June 30, 2006

VI. Revenues and expenditures

Leases:

The DDA lease storage space located in the City under a lease agreement with the City of Davison. The lease may be terminated by either party after a 30-day notification period. The lease expenditure amounted to \$900 in the current year.

Future minimum payments required under the lease are as follows:

| <u>Years</u> <u>Ending</u> | <u>Amount</u> |
|-------------------------------|---------------|
| 2007 | <u>\$ 225</u> |

VII. DDA proposed improvement projects

The location, extent and character of the proposed improvements noted in the DDA's plan are identified below. It is estimated that the projects will be completed by the year 2012.

Future minimum payments required under the plan to complete each project are as follows:

| <u>Project</u> <u>Priority</u> | <u>Project</u> <u>Description</u> | <u>Location</u> | <u>Estimated</u> <u>Cost</u> |
|-----------------------------------|---|--------------------------------|---------------------------------|
| High | Streetscape | Second to Main Street | \$50,000 - \$60,000 |
| High | Repave and rebuild sidewalks | District wide | 30,000 |
| Medium | Decorative lighting | District wide | 130,000 |
| Medium | Streetscape | M-15 length of the District | 250,000 |
| Medium | Farmer's Market | Main and Second Street | 50,000 |
| Low | ADA Compliance program | District wide | (cost based on study depth) |
| Low | Commercial property | Corner of Mill Street and M-15 | 400,000 |
| Low | Mill Street improvements | | 75,000 |
| Low | Parking deck construction | End of East Second Street | 1,000,000 |
| On-going | DDA administration and promotional activities | District wide | variable |

Required Supplemental Information

Davison Downtown Development Authority
Schedules of Revenues, Expenditures, and Changes in
Fund Balances - Budget and Actual
General Fund
Year Ended June 30, 2006

| | Budget | | Actual | Variance with Amended Budget |
|--|--------------------|--------------------|------------------|---|
| | Original | Amended | | |
| Revenues: | | | | |
| Tax Increment Revenue: | \$ 105,000 | \$ 105,000 | \$ 108,917 | \$ 3,917 |
| Interest | 750 | 750 | 2,711 | 1,961 |
| Farmer's Market Revenue - net | 4,640 | 4,640 | 6,271 | 1,631 |
| Grant Revenue | - | - | 295 | 295 |
| Miscellaneous Revenue | - | - | 647 | 647 |
| Total revenues | 110,390 | 110,390 | 118,841 | 8,451 |
| Expenditures: | | | | |
| Current: | | | | |
| Development administration | | | | |
| Administrative staff | 31,500 | 31,500 | 31,515 | (15) |
| Dues and memberships | 500 | 500 | 350 | 150 |
| Insurance | 5,000 | 5,000 | 4,596 | 404 |
| Audit fees | 2,000 | 2,000 | 2,000 | - |
| Administrative expense and travel | 720 | 720 | 389 | 331 |
| Maintenance | 23,000 | 23,000 | 19,265 | 3,735 |
| Lease payments | 900 | 900 | 900 | - |
| Decorative placement labor | 2,000 | 2,000 | 860 | 1,140 |
| Utilities | 5,000 | 5,000 | 4,798 | 202 |
| Total development administration | 70,620 | 70,620 | 64,673 | 5,947 |
| Community administration and promotion | | | | |
| Promotion and marketing | 1,000 | 1,000 | 824 | 176 |
| Pumpkin Festival expense - net | 15,715 | 15,715 | 15,534 | 181 |
| Events director | 1,000 | 1,000 | 402 | 598 |
| Total community administration and promotion | 17,715 | 17,715 | 16,760 | 955 |
| Public improvement | | | | |
| Engineering | 13,500 | 13,500 | - | 13,500 |
| Paving | 2,000 | 2,000 | 6,916 | (4,916) |
| Streetscaping | 2,500 | 2,500 | 325 | 2,175 |
| Christmas | 3,300 | 3,300 | 1,983 | 1,317 |
| Facade program | 45,000 | 45,000 | 10,027 | 34,973 |
| Total public improvement | 66,300 | 66,300 | 19,251 | 47,049 |
| Total expenditures | 154,635 | 154,635 | 100,684 | (53,951) |
| Excess (deficiency) of revenues over expenditure | (44,245) | (44,245) | 18,157 | 62,402 |
| Fund balance - beginning of year | 10,784 | 10,784 | 10,784 | - |
| Fund balance - end of year | \$ (33,461) | \$ (33,461) | \$ 28,941 | \$ 62,402 |